

COMMONWEALTH OF VIRGINIA
MINUTES OF THE VIRGINIA GAS AND OIL BOARD HEARINGS
February 15, 2011

Pursuant to Sections 45.1-361.9B and 45.1361.22.B of the Code of Virginia, the Virginia Gas and Oil Board held their monthly hearings at 9 a.m. on Tuesday, February 15, 2011, at the Russell County Office Complex, Conference Center, and 139 Highland Drive, Lebanon, Virginia.

Board Members present included: Butch Lambert, Chairman, Bruce Prather, Mary Quillen and Katie Dye.

Also present were Sharon M. B. Pigeon, Sr. Assistant Attorney General; David E. Asbury Jr, Principal Executive to the Staff of the Board and Diane J. Davis, Programs Administrator at the Division of Gas and Oil. Mike Abbott, Public Relations Manager for DMME was also present.

1. The board received public comments from:
 - (1) Mr. Ronnie Osborne presented concerns to the Board regarding signed or recorded documents.

2. The Board, on its own motion will discuss provisional drilling units for horizontal wells.

The board discussed the necessity to create a field order addressing horizontal drilling units and the creation of a working group to study the issue. Mr. Prather stated that he believed the Board needed to create a working group with industry representatives to consider this matter fully. Ms. Quillen stated her concerns with regards to geology.

Chairman Lambert recommended the creation of a work group to address this issue to include members of the Board, company representatives and citizens. Mr. Lambert suggested a committee of seven to nine. A motion was made to create a working group to study the provisional drilling units and to suggest guidelines. Mr. Prather was asked to serve as chairman of the committee. Members of the DGO would serve on and support the committee. Mr. Kaiser was asked to approach the Virginia Oil and Gas Association (VOGA) and find four representatives. Dennis Willis of Willis Engineering was recommended as a public member. Mrs. Quillen suggested contacting Penn Virginia for a representative. One additional public member will be open.

Chairman Lambert asked Mr. Asbury is to coordinate with committee chairman Bruce Prather and organize the first meeting of the study committee in March. Board members agreed the initial report of findings should be presented to the board in six months (September, 2011). The Board will continue to hear provisional drilling unit petitions until the recommendation is submitted by the working committee.

3. The Board will consider a petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow and the authorization of direct payment of royalties for unit AW-116, New Garden District, Russell County, Virginia. The petition is for disbursement of a portion of Tract 4. Docket Number VGOB-01-0116-0858-02.

Approval was granted by the board to disburse Michael Hughes using 0.1846% of the entire escrow account. Mr. Hughes was originally identified as an unknown party who has been located. A revised exhibit EE removing Mr. Hughes as having a split agreement. The account will need to be maintained after disbursement.

4. The Board will consider a petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow and the authorization of direct payment of royalties for unit AW-118, New Garden District, Russell County, Virginia. The petition is for disbursement of Tract 1. Docket Number VGOB-03-0513-1147-01.

Approval of a partial disbursement based on a 50/50 split agreement for H. C. Bostic Coal at 36.6886% and James R. Grace, Bill & Helen McReynolds and Peggy Arrent at 12.8962% for tract 1 using 7.08% for disbursement. This is a vertical well that penetrates multiple seams. Allocation was done based on feet of coal and is reported in the right hand column on Exhibit E. A revised Exhibit A-1 was distributed.

5. The Board will consider a petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit T-28, Garden District, Buchanan County, Virginia. The petition is for disbursement of a portion of Tract 5. Docket Number VGOB-97-0218-0565-02.

The applicant requests that the petition be continued to May 2011.

6. The Board will consider a petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit U-27, Garden District, Buchanan County, Virginia. The petition is for disbursement of a portion of Tract 2. Docket Number VGOB-97-0218-0563-03.

The applicant requests that the petition be continued to May 2011.

7. The Board will consider a petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit U-28, Garden District, Buchanan County, Virginia. The petition is for disbursement of a portion of Tract 1. Docket Number VGOB-97-0218-0564-02.

The applicant requests that the petition be continued to May 2011.

8. The Board will consider a petition from CNX Gas Company, LLC, for **disbursement** of funds from escrow for unit AV-118, New Garden District, Russell County, Virginia. The petition is for disbursement of a Tract 2. Docket Number VGOB-03-0415-1136-01.

Approval of a partial disbursement based on a 50/50 split agreement to H. C. Bostic Coal at 34.5511% and James R. Grace, Bill & Helen McReynolds and Peggy Arrent at 11.5170% for tract 2 using and utilizing payment into escrow for only the P3 seam. The account will need to continue.

9. A petition from CNX Gas Company LLC for **modification** of prior order executed on June 22, 2006 to address election rights for the second well in unit EE13, Well EE13A, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-04-0921-1333-02.

Anita Duty testified for CNX and John Sheffield represented his interests in the unit. Revised exhibits were distributed by the operator. The petition was approved by the board allowing elections for the second well in the unit.

10. A petition from CNX Gas Company LLC to **allow election rights** in Unit C29, Well C29A, Garden District, Buchanan County, Virginia. Docket Number VGOB-10-1116-2848.

The docket was continued to March 2011 at the request of Mr. Cook on behalf of Mr. Horne.

11. A petition from CNX Gas Company LLC for **re-pooling** of unit AW-123, New Garden District, Russell County, Virginia. Docket Number VGOB-03-1118-1222-01.

The applicant has requested to change the acreage and to allow for elections for the second well. Escrowing is required for 2B, 2E and 2H. The petition was approved by the Board.

12. A petition from CNX Gas Company LLC for **re-pooling** of unit Z-37, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0324-0631-01.

The applicant has requested to change the acreage and to allow for elections for the second well. Escrowing is required for Tracts 2A and 2B. The petition was approved by the Board.

13. A petition from CNX Gas Company LLC for **re-pooling and modification** of Order Entered June 19, 2007, Unit VP8SGU3, Buchanan County, Virginia. Docket Number VGOB-06-0321-1598-02.

The re-pooling was approved by the Board.

14. A petition from CNX Gas Company LLC for **creation of sealed Gob unit and pooling**, Unit Buchanan No. 1 SGU3, Buchanan County, Virginia. Docket Number VGOB-11-0215-2911.

The petition was approved for unit establishment and pooling with escrowing.

15. A petition from GeoMet Operating Company, Inc. for **pooling** of coalbed methane unit 665 VA Unit XXX-43 Rogers, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-11-0215-2912.

The petition was approved by the Board with escrowing required for Tracts 1 and 3.

16. A petition from Range Resources-Pine Mountain, Inc. for a **well location exception** for proposed well 900017, Prater District, Buchanan County, Virginia. Docket Number VGOB-11-0215-2913.

The petition was approved by the Board.

17. A petition from Range Resources-Pine Mountain, Inc. for a **well location exception** for proposed well V-530288, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-11-0215-2914.

The petition was approved by the Board.

18. A petition from Range Resources-Pine Mountain, Inc. for **establishment of a drilling unit and pooling** for conventional gas well V-530300, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-11-0215-2915.

The petition was continued to March 2011 at the request of the applicant. The continuance was granted because of a notice deficiency noted by the applicant.

19. The Staff of the Board at DGO will provide an update regarding escrow account actives and staff of DMME will demonstrate the on-line escrow program developed for use by board customers.

A presentation of the Gas and Oil Board's eForms Center was made by Mr. David Sanders, DMME's Senior Program Analyst. Other DMME panel representatives included Mr. Daniel Kestner, Geographic Information's Officer, Miss Lacy Martin, Mr. Jim Lovett, Mrs. Diane Davis and Mr. Matthew Salyers.

20. The Board will review the January 25, 2011 minutes for approval.

The January 25 minutes were approved by the Board.

The meeting was adjourned by the Chairman at approximately 4:00 pm.